



FRED WILLIAMSON & ASSOCIATES, INC.
Telecommunications Management Services

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

**RE: Notice of Written *Ex Parte*
Connect America Fund
WC Docket No. 10-90**

November 14, 2016

Dear Ms. Dortch:

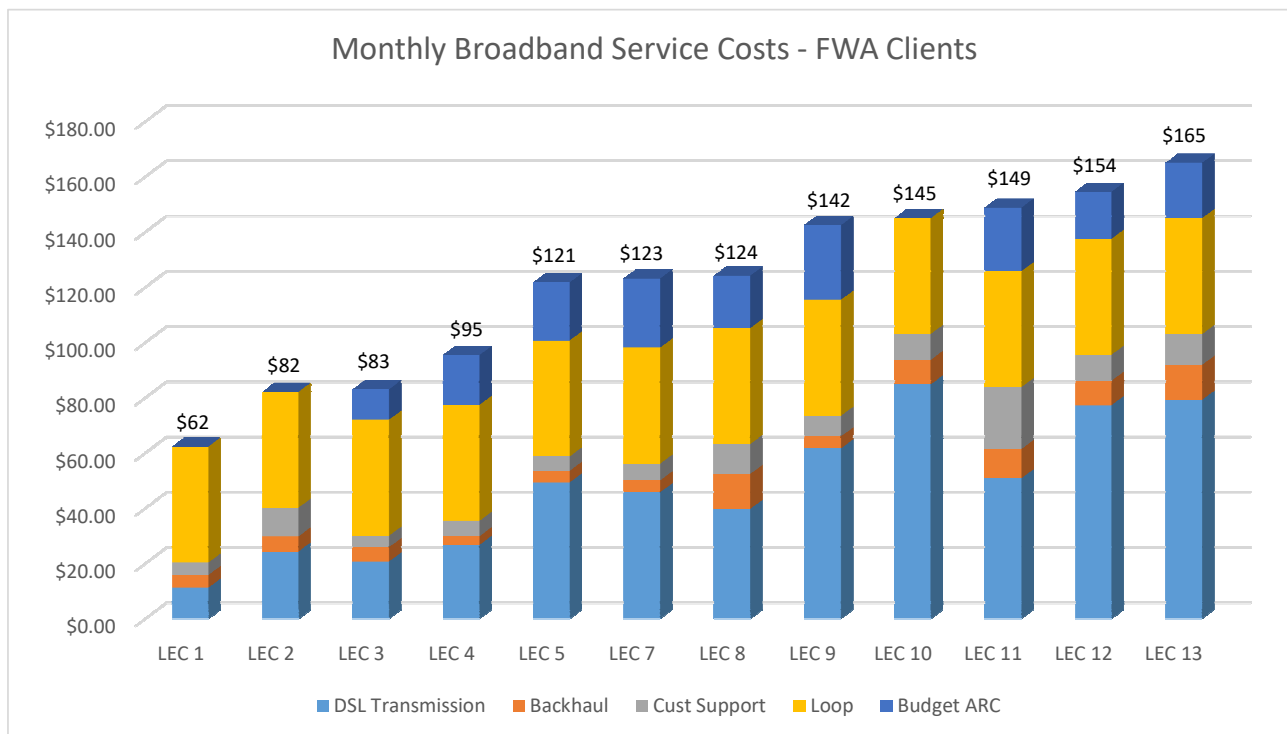
Fred Williamson & Associates (FWA) is a consulting firm that provides regulatory compliance and financial analysis services on behalf of several rural telecommunications providers subject to Rate of Return regulation. The majority of the companies operate in Kansas and Oklahoma. FWA's clients serve rural areas with low population densities and high costs. In spite of the Commission's recent efforts to provide universal service funding for data only broadband services, FWA clients will continue to struggle to maintain affordable broadband rates.

Recently, the Commission released a list of rate of return carriers that have elected support based on the Alternative Connect America Cost Model (A-CAM). As pointed out in the Public Notice, DA 16-12246, released on November 2, 2016 (Public Notice), the demand for model-based support exceeded the available budget by \$160 million annually. This is after accounting for the \$150 million annually of additional funding that the Commission made available to carriers electing the model path.

**FWA
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In the Public Notice, the Commission sought suggestions on methods to prioritize among electing carriers or other measures to keep the A-CAM support within the available budget. Three FWA clients, representing three study areas, elected A-CAM based support. All three clients have serious concerns regarding their ability to meet the specified build-out requirements over the 10-year prescribed period if significant reductions are made to the A-CAM based support. FWA asserts that the A-CAM based support should be fully funded. The A-CAM support has already been capped so that it doesn't exceed \$200 per location and eliminated in census blocks with fixed wireless and/or cable competitors. Any reduction or elimination of the A-CAM support will further jeopardize the capability to buildout broadband services. The additional \$160 million of funding required represents only approximately 2 percent of the current Federal Universal Service funding (includes Low Income, Rural Health Care and Schools and Libraries funding).

FWA and its clients share significant concerns regarding the ability to have and maintain quality broadband services at affordable rates in the rural areas they serve. This is the case regardless of whether the carrier selects voluntary A-CAM support or remains subject to the Broadband Loop Support (BLS) and High Cost Loop Support rate of return based mechanisms. The actual costs of providing data-only broadband services for several FWA clients are shown in the chart below. These costs represent both network costs, including loop costs at the Commission prescribed \$42.00 rate, and customer support expenses attributable to Broadband services. Additionally, the chart shows the level of cost recovery that is due to the overall budget cut for ROR return carriers (9.1%) and the imputation of the Access Recovery Charge (ARC). The total costs shown in the chart represent the amounts that the provider must recover from the broadband consumer.



As shown in the chart, the monthly broadband service costs per customer range from approximately \$62.00 to \$165.00. This is after any loop cost support from the BLS mechanism is considered. The majority of FWA clients' costs for Broadband services exceed \$100.00 per month. Obviously, contrary to principles specified in the Telecommunications Act of 1996, such amounts are not affordable to most rural consumers and not comparable to rates charged in urban areas.¹ As shown in the chart, the impact of budget adjustments further add to this dilemma.

Rather than imposing budget reductions for companies remaining under rate of return mechanisms, the Commission should increase budget amounts available to rural broadband providers to ensure the availability of quality consumer broadband services at affordable rates.

¹ Telecommunications Act of 1996, Section 254(b)(3): "ACCESS IN RURAL AND HIGH COST AREAS- Consumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas."

In summary, to facilitate quality broadband services at affordable rates in rural areas, FWA recommends that the Commission fully fund A-CAM based support and increase budget amounts for companies remaining under rate of return based support.

Tim Morrissey
President, FWA